



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE

April 4, 2012

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Dyersville, Iowa.

The City's revenues totaled \$6,621,251 for the year ended June 30, 2011, a 26% decrease from the prior year. Revenues included \$1,610,731 in property tax, \$709,582 from tax increment financing, \$1,779,541 from charges for service, \$1,006,017 from operating grants, contributions and restricted interest, \$604,509 from capital grants, contributions and restricted interest, \$496,816 from local option sales tax, \$96,889 from hotel/motel tax, \$31,484 from unrestricted investment earnings and \$285,682 from other general revenues.

Expenses for City operations totaled \$5,439,252, a 6.9% decrease from the prior year. Expenses included \$1,203,874 for public works, \$1,146,706 for public safety and \$837,222 for culture and recreation. Expenses for business type activities totaled \$1,654,256.

The significant decrease in revenues is due primarily to grant funds received by the City in the prior year from the Federal government for FEMA public assistance and infrastructure projects.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1120-0290-B00F.pdf>.

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CITY OF DYERSVILLE

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2011

CITY OF DYERSVILLE, IOWA

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CITY OF DYERSVILLE, IOWA
OFFICIALS
JUNE 30, 2011

| Name | Title | Term Expires |
|-----------------|-------------------------|---------------------|
| James Heavens | Mayor | Jan 2014 |
| Michael English | Council Member | Jan 2012 |
| Robert Kramer | Council Member | Jan 2012 |
| Molly Evers | Council Member | Jan 2014 |
| Robert Platz | Council Member | Jan 2014 |
| Dan Willenborg | Council Member | Jan 2014 |
| Mick Michel | City Administrator | Appointed |
| Tricia Maiers | City Clerk/Treasurer | Appointed |
| Marc Casey | City Attorney | Appointed |
| C. J. May | Assistant City Attorney | Appointed |

CITY OF DYERSVILLE, IOWA



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STATE OF IOWA

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dyersville, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Dyersville's management. Our responsibility is to express opinions on these financial statements based on our audit.

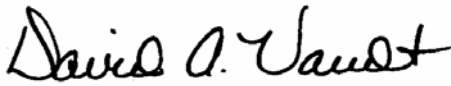
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dyersville at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

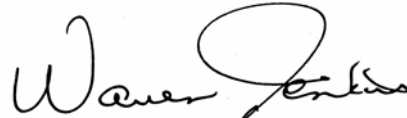
In accordance with Government Auditing Standards, we have also issued our report dated March 19, 2012 on our consideration of the City of Dyersville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 54 through 56 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dyersville's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the four years ended June 30, 2005 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 19, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Dyersville provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

Revenues of the City's governmental activities decreased 35%, or \$2,558,491, from fiscal year 2010 to fiscal year 2011. Capital grants and contributions decreased \$2,183,356 and operating grants and contributions decreased \$499,608, primarily due to federal grants received for flood property buy-outs and FEMA public assistance in fiscal year 2010. Tax increment financing increased 14%, or \$85,840, and property tax revenue levied for general purposes increased \$156,181 over fiscal year 2010.

Program expenses of the City's governmental activities decreased 11%, or approximately \$485,000, in fiscal year 2011 from fiscal year 2010. Public works expenses increased approximately \$248,000. Public safety, health and social services, culture and recreation, community and economic development, general government and interest on long term-debt expenses decreased approximately \$128,000, \$105,000, \$56,000, \$12,000, \$79,000 and \$353,000, respectively. The overall decrease from fiscal year 2010 is primarily due to payments to property owners under the flood buy-out program in fiscal year 2010.

The City's net assets increased 7%, or approximately \$1.2 million, from June 30, 2010 to June 30, 2011. Of this amount, the net assets of the governmental activities increased approximately \$887,000 and the net assets of the business-type activities increased approximately \$295,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the City of Dyersville as a whole and present an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statements by providing information about the most significant funds.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue and Capital Projects Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the City's finances is whether the City as a whole is better or worse off as a result of the year's activities? The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the City's assets and liabilities, with the difference between the two reported as "net assets." Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The Statement of Net Assets and the Statement of Activities report two kinds of activities:

- Governmental activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and intergovernmental receipts finance most of these activities.
- Business-type activities include the City's utility services, such as the water utility, sewage disposal and solid waste systems. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. Governmental funds include: the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures, and changes in fund balances.

- 2) Proprietary funds account for the City's Enterprise Funds. These funds report services for which the City charges customers for the service it provides. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the proprietary funds and the business-type activities included in the government-wide financial statements is the detail and additional information, such as cash flows, provided in the proprietary fund financial statements. The Enterprise Funds include the City's utility services, such as Water Utility, Sewage Disposal Works and Solid Waste. The City is responsible for ensuring the assets reported in these funds are used only for their intended purposes.

The financial statements required for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets for governmental and business-type activities.

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|-------------------|--------------------------|-------------------|--------------------|-------------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Current and other assets | \$ 7,808,835 | 8,423,966 | (1,391,500) | (859,368) | 6,417,335 | 7,564,598 |
| Capital assets | 12,051,126 | 11,003,248 | 13,325,149 | 11,675,005 | 25,376,275 | 22,678,253 |
| Total assets | <u>19,859,961</u> | <u>19,427,214</u> | <u>11,933,649</u> | <u>10,815,637</u> | <u>31,793,610</u> | <u>30,242,851</u> |
| Long-term liabilities | 4,591,632 | 4,926,003 | 6,190,843 | 5,370,624 | 10,782,475 | 10,296,627 |
| Other liabilities | 3,524,904 | 3,645,227 | 89,527 | 86,292 | 3,614,431 | 3,731,519 |
| Total liabilities | <u>8,116,536</u> | <u>8,571,230</u> | <u>6,280,370</u> | <u>5,456,916</u> | <u>14,396,906</u> | <u>14,028,146</u> |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 7,578,964 | 8,344,407 | 7,174,001 | 5,444,839 | 14,752,965 | 13,789,246 |
| Restricted | 4,385,578 | 1,987,830 | - | - | 4,385,578 | 1,987,830 |
| Unrestricted | <u>(221,117)</u> | <u>523,747</u> | <u>(1,520,722)</u> | <u>(86,118)</u> | <u>(1,741,839)</u> | <u>437,629</u> |
| Total net assets | <u>\$ 11,743,425</u> | <u>10,855,984</u> | <u>5,653,279</u> | <u>5,358,721</u> | <u>17,396,704</u> | <u>16,214,705</u> |

Net Assets at Year-end

Net assets of governmental and business type activities increased over fiscal year 2010 by approximately \$887,000, or 8%, and \$295,000, or 5.5%, respectively. The largest portion of the City's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, is (\$1,741,839) at the end of this year. The unrestricted net assets is primarily due to constructing water and sewer infrastructure assets without borrowing. When funds are borrowed, the deficit unrestricted net assets will decrease (net assets will increase) and net assets invested in capital assets, net of related debt will also decrease.

**Changes in Net Assets for
the year ended June 30,**

| | Governmental Activities | | Business-Type Activities | | Total | |
|------------------------------------|-------------------------|-------------------|--------------------------|------------------|-------------------|-------------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for service | \$ 149,165 | 290,487 | 1,630,376 | 1,571,061 | 1,779,541 | 1,861,548 |
| Operating grants and contributions | 1,006,017 | 1,505,625 | - | - | 1,006,017 | 1,505,625 |
| Capital grants and contributions | 308,509 | 2,491,865 | 296,000 | 125,785 | 604,509 | 2,617,650 |
| General revenues: | | | | | | |
| Property tax levied for: | | | | | | |
| General purposes | 1,380,333 | 1,224,152 | - | - | 1,380,333 | 1,224,152 |
| Debt service | 230,398 | 288,378 | - | - | 230,398 | 288,378 |
| Tax increment financing | 709,582 | 623,742 | - | - | 709,582 | 623,742 |
| Local option sales tax | 496,816 | 507,852 | - | - | 496,816 | 507,852 |
| Hotel/motel tax | 96,889 | 52,358 | - | - | 96,889 | 52,358 |
| Unrestricted investment earnings | 31,484 | 84,883 | - | - | 31,484 | 84,883 |
| Miscellaneous | 277,163 | 175,505 | 8,519 | 8,163 | 285,682 | 183,668 |
| Total revenues | <u>4,686,356</u> | <u>7,244,847</u> | <u>1,934,895</u> | <u>1,705,009</u> | <u>6,621,251</u> | <u>8,949,856</u> |
| Program Expenses: | | | | | | |
| Public safety | 1,146,706 | 1,275,011 | - | - | 1,146,706 | 1,275,011 |
| Public works | 1,203,874 | 955,786 | - | - | 1,203,874 | 955,786 |
| Health and social services | 800 | 105,409 | - | - | 800 | 105,409 |
| Culture and recreation | 837,222 | 893,418 | - | - | 837,222 | 893,418 |
| Community and economic development | 127,477 | 139,034 | - | - | 127,477 | 139,034 |
| General government | 271,570 | 350,867 | - | - | 271,570 | 350,867 |
| Interest on long-term debt | 197,347 | 550,812 | - | - | 197,347 | 550,812 |
| Water utility | - | - | 680,842 | 668,500 | 680,842 | 668,500 |
| Sewage disposal works | - | - | 737,740 | 647,834 | 737,740 | 647,834 |
| Solid waste | - | - | 235,674 | 254,816 | 235,674 | 254,816 |
| Total expenses | <u>3,784,996</u> | <u>4,270,337</u> | <u>1,654,256</u> | <u>1,571,150</u> | <u>5,439,252</u> | <u>5,841,487</u> |
| Excess of revenues over expenses | 901,360 | 2,974,510 | 280,639 | 133,859 | 1,181,999 | 3,108,369 |
| Transfers, net | (13,919) | - | 13,919 | - | - | - |
| Change In Net Assets | 887,441 | 2,974,510 | 294,558 | 133,859 | 1,181,999 | 3,108,369 |
| Net Assets Beginning Of Year | <u>10,855,984</u> | <u>7,881,474</u> | <u>5,358,721</u> | <u>5,224,862</u> | <u>16,214,705</u> | <u>13,106,336</u> |
| Net Assets End Of Year | <u>\$ 11,743,425</u> | <u>10,855,984</u> | <u>5,653,279</u> | <u>5,358,721</u> | <u>17,396,704</u> | <u>16,214,705</u> |

The increase in the City's property tax revenue was due primarily to a 13% increase in property valuations. In addition, debt service property tax revenue decreased approximately \$58,000.

INDIVIDUAL MAJOR FUND ANALYSIS

Governmental Fund Highlights

As the City of Dyersville completed the year, its governmental funds reported a combined fund balance of \$3,617,549, which is greater than the \$3,577,140 total fund balance at June 30, 2010. The following are the major reasons for the changes in fund balances of the major governmental funds from the prior year.

General Fund revenues increased approximately \$139,000, or 7%, due primarily to an increase in property tax, while expenditures increased approximately \$264,000, or 13%, when compared to the prior year. The General Fund fund balance increased \$47,014 from the prior year to \$404,735, compared to the prior year ending fund balance of \$357,721.

The Special Revenue, CDBG Fund is used to account for federal and state revenues related to flood repairs and future property buy-outs. This fund ended fiscal year 2011 with a deficit fund balance of \$298,235, compared to the prior year ending fund balance deficit of \$460,079.

The Special Revenue, Dyersville Economic Development TIF Fund is used to account for revenues from the tax authorized by ordinance in the urban renewal district and used to pay the principal and interest on the general obligation capital loan notes and other indebtedness incurred for urban renewal redevelopment projects. Revenue increased \$83,036, or 13%, due primarily to an increase in property tax. This fund ended fiscal year 2011 with a \$119,856 fund balance, compared to the prior year ending fund balance of \$311,804.

The Special Revenue, Local Option Sales Tax Fund is used to account for revenues from the local option sales and services tax in the amount of 1%, with 25% to be used for property tax relief and 75% to be used to reduce future borrowing. This fund ended fiscal year 2011 with a \$1,254,068 balance compared, to the prior year ending fund balance of \$1,418,932.

The Capital Projects, Capital Improvements Fund is used to account for the resources and costs related to infrastructure and building construction and major improvements. This fund ended fiscal year 2011 with a \$1,728,411 fund balance, compared to the prior year ending fund balance of \$1,902,269.

The Debt Service Fund is used to account for the payment of interest and principal on the City's general long-term debt. The fund ended fiscal year 2011 with a fund balance of \$212,598, compared to the prior year ending fund balance deficit of \$210,601.

Proprietary Fund Highlights

The Enterprise, Water Utility Fund, which accounts for the operation and maintenance of the City's water system, ended fiscal year 2011 with a \$2,750,027 net asset balance compared to the prior year ending net asset balance of \$2,789,565.

The Enterprise, Sewage Disposal Works Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended fiscal year 2011 with a \$2,810,402 net asset balance compared to the prior year ending net asset balance of \$2,488,093.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City of Dyersville amended its budget one time. The amendment was done on May 16, 2011. The amendment was needed to adjust receipts and disbursements.

On May 16, 2011, receipts were increased for other city tax and intergovernmental receipts. Budgeted public safety disbursements were increased due to police capital disbursements and budgeted capital projects disbursements were increased to cover costs related to engineering and construction costs for new and existing projects. Budgeted culture and recreation disbursements were increased for park and library capital disbursements. Budgeted public works disbursements were increased due to additional snow removal expense. Even with the amendment, the City exceeded its budgetary amount in the public works function for the year ended June 30, 2011.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets include land, buildings and improvements, equipment, streets, sewer systems, lighting systems, traffic signals and other infrastructure. Capital assets for governmental activities totaled \$12,051,126 (net of accumulated depreciation) at June 30, 2011. Capital assets for business-type activities totaled \$13,325,149 (net of accumulated depreciation) at June 30, 2011. See Note 3 to the financial statements for more information about the City's capital assets.

The major capital outlays for governmental activities during the year included flood buy-out properties, equipment and infrastructure improvements.

For business-type activities, major additions included water and sewer improvements.

Long-Term Debt

At June 30, 2011, the City had \$4,472,162 in total long-term debt outstanding for governmental activities. Total long-term debt outstanding for business-type activities was \$6,151,148 at June 30, 2011. The long term debt includes capital lease purchase agreements for four trucks and one sewer camera system with a remaining balance of \$115,310 at June 30, 2011, of which a portion is recorded in governmental activities and a portion is recorded in business-type activities.

The City does not have a general obligation bond rating assigned by national rating agencies to the City's debt. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$15.5 million. Other obligations include accrued vacation pay and sick leave and net OPEB liability. Additional information about the City's long-term debt is presented in Note 4 to the financial statements.

ECONOMIC FACTORS BEARING ON THE CITY'S FUTURE

Several economic factors affected decisions made by the City in setting its fiscal 2012 budget. The City of Dyersville will experience a significant drop in General Fund and Enterprise Fund revenues from fiscal year 2011 to fiscal year 2012. The major factors for fiscal year 2012 which will play a role in this change are uncontrollable factors — reduction in intergovernmental receipts and an increase in operational costs, such as energy and insurance prices.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index (CPI) increase. The State's CPI increase was 1.1 percent for fiscal year 2009. Inflation has been modest here due, in part, to the slowing of the residential housing market and modest increases in food and energy prices over fiscal year 2009.

The General Fund is projected to end fiscal year 2012 with a fund balance of approximately \$127,000.

The tax levy rates per \$1,000 of taxable valuation for fiscal year 2012 are provided below:

| | |
|-------------------|------------|
| General levy | \$ 8.07033 |
| Debt service levy | 1.39804 |
| Total | \$ 9.46847 |

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to present our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and operating activities. If you have any questions or require additional information, please contact Mick J. Michel, City Administrator, at 340 1st Avenue East, Dyersville, Iowa 52040.

CITY OF DYERSVILLE

BASIC FINANCIAL STATEMENTS

CITY OF DYERSVILLE, IOWA
STATEMENT OF NET ASSETS
JUNE 30, 2011

| | Governmental Activities | Business-type Activities | Total |
|-----------------------------------|----------------------------|-----------------------------|-------------|
| Assets | | | |
| Cash and pooled cash investments | \$ 893,188 | 875,735 | 1,768,923 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 24,426 | - | 24,426 |
| Succeeding year | 2,857,271 | - | 2,857,271 |
| Accounts | 16,313 | 221,752 | 238,065 |
| Sewer revenue bond proceeds | - | 116,930 | 116,930 |
| Special assessments | 4,712 | - | 4,712 |
| Due from other governments | 1,282,528 | - | 1,282,528 |
| Internal balances | 2,672,913 | (2,672,913) | - |
| Inventories | - | 8,134 | 8,134 |
| Prepaid expenses | 57,484 | 19,163 | 76,647 |
| Restricted assets: | | | |
| Cash and pooled cash investments | - | 24,617 | 24,617 |
| Deferred charges | - | 15,082 | 15,082 |
| Capital assets: | | | |
| Land | 4,191,514 | 150,280 | 4,341,794 |
| Buildings | 3,495,240 | - | 3,495,240 |
| Improvements other than buildings | 750,818 | 45,237 | 796,055 |
| Machinery and equipment | 2,119,815 | 651,475 | 2,771,290 |
| Infrastructure | 4,483,949 | 15,541,003 | 20,024,952 |
| Construction in progress | 272,936 | 1,022,005 | 1,294,941 |
| Accumulated depreciation | (3,263,146) | (4,084,851) | (7,347,997) |
| Total Assets | 19,859,961 | 11,933,649 | 31,793,610 |

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|-------------|
| Liabilities | | | |
| Accounts payable | \$ 576,519 | 44,359 | 620,878 |
| Accrued interest payable | 16,202 | 17,498 | 33,700 |
| Salaries and benefits payable | 57,595 | 6,077 | 63,672 |
| Unearned revenue: | | | |
| Succeeding year property tax | 2,857,271 | - | 2,857,271 |
| Other | 17,317 | - | 17,317 |
| Long-term liabilities: | | | |
| Portion due or payable within one year: | | | |
| Customer deposits | - | 21,593 | 21,593 |
| Capital lease purchase agreements | 8,943 | 51,709 | 60,652 |
| Notes payable | 330,000 | 120,000 | 450,000 |
| Revenue bonds payable | - | 194,000 | 194,000 |
| Compensated absences | 113,470 | 37,695 | 151,165 |
| Portion due or payable after one year: | | | |
| Capital lease purchase agreements | 18,219 | 36,439 | 54,658 |
| Notes payable | 4,115,000 | 2,805,000 | 6,920,000 |
| Revenue bonds payable | - | 2,944,000 | 2,944,000 |
| Net OPEB liability | 6,000 | 2,000 | 8,000 |
| Total Liabilities | 8,116,536 | 6,280,370 | 14,396,906 |
| Net Assets | | | |
| Invested in capital assets, net of related debt | 7,578,964 | 7,174,001 | 14,752,965 |
| Restricted for: | | | |
| Local option sales tax | 1,254,068 | - | 1,254,068 |
| Road use | 153,690 | - | 153,690 |
| Economic development | 119,856 | - | 119,856 |
| Library | 204,267 | - | 204,267 |
| Debt service | 197,312 | - | 197,312 |
| Capital improvements | 2,398,835 | - | 2,398,835 |
| Prepaid | 57,484 | - | 57,484 |
| Other purpose | 66 | - | 66 |
| Unrestricted | (221,117) | (1,520,722) | (1,741,839) |
| Total Net Assets | \$ 11,743,425 | 5,653,279 | 17,396,704 |

See notes to the financial statements.

CITY OF DYERSVILLE, IOWA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

| Functions/Programs | Expenses | Program Revenues | | |
|---|---------------------|---------------------|------------------------------------|----------------------------------|
| | | Charges for Service | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government: | | | | |
| Governmental activities: | | | | |
| Public safety | \$ 1,146,706 | 34,216 | 10,467 | - |
| Public works | 1,203,874 | - | 398,462 | 123,489 |
| Health and social services | 800 | - | - | - |
| Culture and recreation | 837,222 | 114,949 | 24,355 | - |
| Community and economic development | 127,477 | - | 572,733 | 185,020 |
| General government | 271,570 | - | - | - |
| Interest on long-term debt | 197,347 | - | - | - |
| Total governmental activities | <u>3,784,996</u> | <u>149,165</u> | <u>1,006,017</u> | <u>308,509</u> |
| Business-type activities: | | | | |
| Water utility | 680,842 | 636,054 | - | - |
| Sewage disposal works | 737,740 | 746,861 | - | 296,000 |
| Solid waste | 235,674 | 247,461 | - | - |
| Total business-type activities | <u>1,654,256</u> | <u>1,630,376</u> | <u>-</u> | <u>296,000</u> |
| Total primary government | <u>\$ 5,439,252</u> | <u>1,779,541</u> | <u>1,006,017</u> | <u>604,509</u> |
| General revenues and transfers: | | | | |
| Property tax and other City tax levied for: | | | | |
| General purposes | | | | |
| Debt service | | | | |
| Tax increment financing | | | | |
| Local option sales tax | | | | |
| Hotel/motel tax | | | | |
| Unrestricted investment earnings | | | | |
| Other | | | | |
| Transfers | | | | |
| Total general revenues and transfers | | | | |
| Change in net assets | | | | |
| Net assets, beginning of year | | | | |
| Net assets, end of year | | | | |

See notes to the financial statements.

| Net (Expense) Revenue and Changes in Net Assets | | |
|--|-----------------------------|-------------|
| Primary Government | | |
| Governmental Activities | Business-type Activities | Total |
| (1,102,023) | - | (1,102,023) |
| (681,923) | - | (681,923) |
| (800) | - | (800) |
| (697,918) | - | (697,918) |
| 630,276 | - | 630,276 |
| (271,570) | - | (271,570) |
| (197,347) | - | (197,347) |
| (2,321,305) | - | (2,321,305) |
| - | (44,788) | (44,788) |
| - | 305,121 | 305,121 |
| - | 11,787 | 11,787 |
| - | 272,120 | 272,120 |
| (2,321,305) | 272,120 | (2,049,185) |
| \$ 1,380,333 | - | 1,380,333 |
| 230,398 | - | 230,398 |
| 709,582 | - | 709,582 |
| 496,816 | - | 496,816 |
| 96,889 | - | 96,889 |
| 31,484 | - | 31,484 |
| 277,163 | 8,519 | 285,682 |
| (13,919) | 13,919 | - |
| 3,208,746 | 22,438 | 3,231,184 |
| 887,441 | 294,558 | 1,181,999 |
| 10,855,984 | 5,358,721 | 16,214,705 |
| \$ 11,743,425 | 5,653,279 | 17,396,704 |

CITY OF DYERSVILLE, IOWA
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2011

| | General | CDBG | Special Revenue | |
|--|---------------------|------------------|--|---------------------------|
| | | | Dyersville Economic Development TIF | Local Option Sales Tax |
| Assets | | | | |
| Cash and pooled cash investments | \$ 126,964 | - | 104,592 | 283,060 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 11,956 | - | 10,744 | - |
| Succeeding year | 1,289,907 | - | 1,281,229 | - |
| Accounts and other | 16,313 | - | - | - |
| Special assessments | - | - | - | - |
| Due from other governments | 50,097 | 196,614 | 10,315 | 62,682 |
| Due from other funds | 300,000 | - | - | 908,326 |
| Prepaid expenditures | 57,484 | - | - | - |
| Total Assets | \$ 1,852,721 | 196,614 | 1,406,880 | 1,254,068 |
| Liabilities And Fund Balances | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 75,171 | 42,547 | 5,795 | - |
| Salaries and benefits payable | 54,347 | - | - | - |
| Deferred revenue: | | | | |
| Succeeding year property tax | 1,289,907 | - | 1,281,229 | - |
| Other | 28,561 | - | - | - |
| Due to other funds | - | 452,302 | - | - |
| Total Liabilities | 1,447,986 | 494,849 | 1,287,024 | - |
| Fund Balances | | | | |
| Nonspendable: | | | | |
| Prepaid expenditures | 57,484 | - | - | - |
| Restricted for: | | | | |
| Economic development | - | - | 119,856 | - |
| Local option sales tax | - | - | - | 1,254,068 |
| Road use | - | - | - | - |
| Library | - | - | - | - |
| Debt service | - | - | - | - |
| Library expenses | 161,907 | - | - | - |
| Capital equipment | - | - | - | - |
| Capital improvements | - | - | - | - |
| Unassigned | 185,344 | (298,235) | - | - |
| Total Fund Balances | 404,735 | (298,235) | 119,856 | 1,254,068 |
| Total Liabilities and Fund Balances | \$ 1,852,721 | 196,614 | 1,406,880 | 1,254,068 |

See notes to the financial statements.

| Capital Projects | | Nonmajor | |
|------------------|----------------|----------------|------------------|
| Capital | Debt | Governmental | |
| Improvements | Service | Funds | Total |
| - | 210,478 | 168,094 | 893,188 |
| - | 1,726 | - | 24,426 |
| - | 286,135 | - | 2,857,271 |
| - | - | - | 16,313 |
| 4,712 | - | - | 4,712 |
| 929,976 | 1,310 | 31,534 | 1,282,528 |
| 2,672,913 | - | - | 3,881,239 |
| - | - | - | 57,484 |
| <u>3,607,601</u> | <u>499,649</u> | <u>199,628</u> | <u>9,017,161</u> |
| 452,742 | - | 264 | 576,519 |
| - | - | 3,248 | 57,595 |
| - | 286,135 | - | 2,857,271 |
| 670,424 | 916 | - | 699,901 |
| 756,024 | - | - | 1,208,326 |
| <u>1,879,190</u> | <u>287,051</u> | <u>3,512</u> | <u>5,399,612</u> |
| - | - | - | 57,484 |
| - | - | - | 119,856 |
| - | - | - | 1,254,068 |
| - | - | 153,690 | 153,690 |
| - | - | 42,360 | 42,360 |
| - | 212,598 | - | 212,598 |
| - | - | - | 161,907 |
| - | - | 66 | 66 |
| 1,728,411 | - | - | 1,728,411 |
| - | - | - | (112,891) |
| <u>1,728,411</u> | <u>212,598</u> | <u>196,116</u> | <u>3,617,549</u> |
| <u>3,607,601</u> | <u>499,649</u> | <u>199,628</u> | <u>9,017,161</u> |

CITY OF DYERSVILLE, IOWA

CITY OF DYERSVILLE, IOWA
RECONCILIATION OF THE BALANCE SHEET –
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Exhibit D

Total Fund Balances - Governmental Funds (page 21) \$ 3,617,549

Amounts reported for governmental activities in the statement of
net assets are different because:

Capital assets used in governmental activities are not current
financial resources and, therefore, are not reported in the funds.

| | | |
|--------------------------|--------------------|------------|
| Cost of capital assets | \$ 15,314,272 | |
| Accumulated depreciation | <u>(3,263,146)</u> | |
| | | 12,051,126 |

Some of the City's revenues will be collected after year-end but
are not available soon enough to pay for the current year's
expenditures and, therefore, are deferred in the funds. Those
revenues consist of:

| | | |
|--------------|----------------|---------|
| Property tax | 6,355 | |
| Other | <u>676,229</u> | |
| | | 682,584 |

Some liabilities are not due and payable in the current period and,
therefore, are not reported in the funds. Those liabilities consist of:

| | | |
|----------------------------------|----------------|--------------------|
| Capital lease purchase agreement | (27,162) | |
| Notes payable | (4,445,000) | |
| Accrued interest | (16,202) | |
| Compensated absences | (113,470) | |
| Other postemployment benefits | <u>(6,000)</u> | |
| | | <u>(4,607,834)</u> |

| | | |
|---|--|-----------------------------|
| Net assets of governmental activities (page 17) | | <u><u>\$ 11,743,425</u></u> |
|---|--|-----------------------------|

See notes to the financial statements.

CITY OF DYERSVILLE, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

| | | Special Revenue | | |
|--|-------------------|------------------|--|---------------------------|
| | | | Dyersville Economic Development TIF | Local Option Sales Tax |
| | General | CDBG | | |
| Revenues: | | | | |
| Property tax | \$ 1,380,333 | - | - | - |
| Tax increment financing | - | - | 709,582 | - |
| Other city tax | 286,500 | - | - | 351,778 |
| Licenses and permits | 15,908 | - | - | - |
| Use of money and property | 39,847 | - | 4,546 | 4,358 |
| Intergovernmental | 73,169 | 1,292,971 | - | - |
| Charges for service | 261,632 | - | - | - |
| Special assessments | - | - | - | - |
| Miscellaneous | 30,332 | - | - | - |
| Total Revenues | <u>2,087,721</u> | <u>1,292,971</u> | <u>714,128</u> | <u>356,136</u> |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety | 933,666 | 1,088,790 | - | - |
| Public works | 200,018 | 42,337 | 66,687 | - |
| Health and social services | 800 | - | - | - |
| Culture and recreation | 815,923 | - | - | - |
| Community and economic development | 8,239 | - | 119,238 | - |
| General government | 293,061 | - | - | - |
| Debt service | - | - | 361,130 | - |
| Capital projects | - | - | - | - |
| Total Expenditures | <u>2,251,707</u> | <u>1,131,127</u> | <u>547,055</u> | <u>-</u> |
| Excess (Deficiency) Of Revenues Over (Under) Expenditures | <u>(163,986)</u> | <u>161,844</u> | <u>167,073</u> | <u>356,136</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 211,000 | - | - | - |
| Transfers out | - | - | (359,021) | (521,000) |
| Total Other Financing Sources (Uses) | <u>211,000</u> | <u>-</u> | <u>(359,021)</u> | <u>(521,000)</u> |
| Net Change In Fund Balances | 47,014 | 161,844 | (191,948) | (164,864) |
| Fund Balances, Beginning Of Year | <u>357,721</u> | <u>(460,079)</u> | <u>311,804</u> | <u>1,418,932</u> |
| Fund Balances, End Of Year | <u>\$ 404,735</u> | <u>(298,235)</u> | <u>119,856</u> | <u>1,254,068</u> |

See notes to the financial statements.

| <u>Capital Projects</u> | | Nonmajor | |
|-------------------------|------------------|---------------------|------------------|
| <u>Capital</u> | <u>Debt</u> | <u>Governmental</u> | |
| <u>Improvements</u> | <u>Service</u> | <u>Funds</u> | <u>Total</u> |
| - | 230,398 | - | 1,610,731 |
| - | - | - | 709,582 |
| - | 2,396 | - | 640,674 |
| - | - | - | 15,908 |
| 1,116 | - | 203 | 50,070 |
| 120,045 | - | 398,462 | 1,884,647 |
| - | - | 14,553 | 276,185 |
| 3,444 | - | - | 3,444 |
| - | - | - | 30,332 |
| <u>124,605</u> | <u>232,794</u> | <u>413,218</u> | <u>5,221,573</u> |
| - | - | 54,627 | 2,077,083 |
| - | - | 344,247 | 653,289 |
| - | - | - | 800 |
| - | - | 16,337 | 832,260 |
| - | - | - | 127,477 |
| - | - | - | 293,061 |
| - | 154,697 | - | 515,827 |
| <u>667,448</u> | <u>-</u> | <u>-</u> | <u>667,448</u> |
| <u>667,448</u> | <u>154,697</u> | <u>415,211</u> | <u>5,167,245</u> |
| <u>(542,843)</u> | <u>78,097</u> | <u>(1,993)</u> | <u>54,328</u> |
| 368,985 | 345,102 | - | 925,087 |
| <u>-</u> | <u>-</u> | <u>(58,985)</u> | <u>(939,006)</u> |
| <u>368,985</u> | <u>345,102</u> | <u>(58,985)</u> | <u>(13,919)</u> |
| (173,858) | 423,199 | (60,978) | 40,409 |
| <u>1,902,269</u> | <u>(210,601)</u> | <u>257,094</u> | <u>3,577,140</u> |
| <u>1,728,411</u> | <u>212,598</u> | <u>196,116</u> | <u>3,617,549</u> |

CITY OF DYERSVILLE, IOWA

CITY OF DYERSVILLE, IOWA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

Exhibit F

| | | | |
|---|----|------------------|----------------|
| Net Change In Fund Balances - Total Governmental Funds (page 25) | | \$ | 40,409 |
| Amounts reported for governmental activities in the statement of activities are different because: | | | |
| Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current year, these amounts are: | | | |
| Capital assets expenditures in governmental funds | \$ | 1,459,003 | |
| Depreciation expense | | <u>(411,125)</u> | 1,047,878 |
| Because some revenues will not be collected for several months after the City's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds, as follows: | | | |
| Property tax | | (12,099) | |
| Grants | | <u>(523,118)</u> | (535,217) |
| Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. | | | |
| | | | 318,480 |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows: | | | |
| Compensated absences | | 18,891 | |
| OPEB | | <u>(3,000)</u> | <u>15,891</u> |
| Change in net assets of governmental activities (page 19) | | \$ | <u>887,441</u> |

See notes to the financial statements.

CITY OF DYERSVILLE, IOWA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

| | Business-type Activities - Enterprise Funds | | | |
|---|---|-----------------------------|-----------------|--------------------|
| | Major | | Nonmajor | Total |
| | Water Utility | Sewage Disposal Works | Solid Waste | |
| Assets | | | | |
| Current Assets | | | | |
| Cash and pooled cash investments | \$ 49,800 | 783,098 | 42,837 | 875,735 |
| Receivables: | | | | |
| Accounts | 88,621 | 101,354 | 31,777 | 221,752 |
| Sewer revenue bond proceeds | - | 116,930 | - | 116,930 |
| Inventories | 8,134 | - | - | 8,134 |
| Prepaid expense | 9,492 | 9,671 | - | 19,163 |
| Total current assets | <u>156,047</u> | <u>1,011,053</u> | <u>74,614</u> | <u>1,241,714</u> |
| Noncurrent Assets | | | | |
| Restricted assets - cash and pooled cash investments | <u>24,617</u> | <u>-</u> | <u>-</u> | <u>24,617</u> |
| Deferred charges | <u>3,140</u> | <u>11,942</u> | <u>-</u> | <u>15,082</u> |
| Capital assets: | | | | |
| Land | 75,750 | 74,530 | - | 150,280 |
| Improvements other than buildings | - | - | 45,237 | 45,237 |
| Machinery and equipment | 228,374 | 318,428 | 59,365 | 606,167 |
| Meters | 45,308 | - | - | 45,308 |
| Wells | 942,260 | - | - | 942,260 |
| Distribution system | 6,044,240 | - | - | 6,044,240 |
| Sewer system | - | 8,554,503 | - | 8,554,503 |
| Construction in progress | 599,946 | 422,059 | - | 1,022,005 |
| Accumulated depreciation | <u>(2,000,622)</u> | <u>(2,020,152)</u> | <u>(64,077)</u> | <u>(4,084,851)</u> |
| Net capital assets | <u>5,935,256</u> | <u>7,349,368</u> | <u>40,525</u> | <u>13,325,149</u> |
| Total noncurrent assets | <u>5,963,013</u> | <u>7,361,310</u> | <u>40,525</u> | <u>13,364,848</u> |
| Total assets | <u>6,119,060</u> | <u>8,372,363</u> | <u>115,139</u> | <u>14,606,562</u> |

See notes to the financial statements.

| | Business-type Activities - Enterprise Funds | | | |
|---|---|-----------------------------|----------------|-------------|
| | Major | | Nonmajor | Total |
| | Water Utility | Sewage Disposal Works | Solid Waste | |
| Liabilities | | | | |
| Current Liabilities | | | | |
| Accounts payable | \$ 18,751 | 5,988 | 19,620 | 44,359 |
| Accrued interest payable | 8,886 | 8,612 | - | 17,498 |
| Salaries and benefits payable | 3,299 | 2,203 | 575 | 6,077 |
| Due to other funds | 725,564 | 1,947,349 | - | 2,672,913 |
| Capital lease purchase agreements | 8,943 | 42,766 | - | 51,709 |
| Notes payable | 80,000 | 40,000 | - | 120,000 |
| Revenue bonds payable | 41,000 | 153,000 | - | 194,000 |
| Compensated absences | 15,878 | 19,923 | 1,894 | 37,695 |
| Total current liabilities | 902,321 | 2,219,841 | 22,089 | 3,144,251 |
| Current Liabilities Payable | | | | |
| From Restricted Assets | | | | |
| Customer deposits payable | 21,593 | - | - | 21,593 |
| Noncurrent Liabilities | | | | |
| Capital lease purchase agreement | 18,219 | 18,220 | - | 36,439 |
| Notes payable | 1,940,000 | 865,000 | - | 2,805,000 |
| Revenue bonds payable | 486,000 | 2,458,000 | - | 2,944,000 |
| Net OPEB liability | 900 | 900 | 200 | 2,000 |
| Total noncurrent liabilities | 2,445,119 | 3,342,120 | 200 | 5,787,439 |
| Total liabilities | 3,369,033 | 5,561,961 | 22,289 | 8,953,283 |
| Net Assets | | | | |
| Invested in capital assets, net of related debt | 3,361,094 | 3,772,382 | 40,525 | 7,174,001 |
| Unrestricted | (611,067) | (961,980) | 52,325 | (1,520,722) |
| Total net assets | \$ 2,750,027 | 2,810,402 | 92,850 | 5,653,279 |

CITY OF DYERSVILLE, IOWA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET
ASSETS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

Exhibit H

| | Business-type Activities - Enterprise Funds | | | Total |
|---|---|-----------------------------|----------------|-----------|
| | Major | | Nonmajor | |
| | Water Utility | Sewage Disposal Works | Solid Waste | |
| Operating Revenues: | | | | |
| Charges for sales and services | \$ 636,054 | 746,861 | 247,461 | 1,630,376 |
| Other | 5,250 | 3,269 | - | 8,519 |
| Total operating revenues | 641,304 | 750,130 | 247,461 | 1,638,895 |
| Operating Expenses: | | | | |
| Employee expense | 144,728 | 144,311 | 27,401 | 316,440 |
| Utilities | 63,450 | 51,369 | 85 | 114,904 |
| Repairs and maintenance | 154,812 | 183,163 | 19,770 | 357,745 |
| Supplies and services | 61,707 | 25,030 | 185,844 | 272,581 |
| Insurance | 10,733 | 10,320 | - | 21,053 |
| Depreciation | 138,286 | 185,739 | 2,574 | 326,599 |
| Total operating expenses | 573,716 | 599,932 | 235,674 | 1,409,322 |
| Operating Income | 67,588 | 150,198 | 11,787 | 229,573 |
| Nonoperating Revenues (Expenses): | | | | |
| Intergovernmental | - | 296,000 | - | 296,000 |
| Interest expense | (106,490) | (125,775) | - | (232,265) |
| Bond issuance cost | (636) | (12,033) | - | (12,669) |
| Total nonoperating revenues (expenses) | (107,126) | 158,192 | - | 51,066 |
| Income (loss) before transfers | (39,538) | 308,390 | 11,787 | 280,639 |
| Transfers In | - | 13,919 | - | 13,919 |
| Change in net assets | (39,538) | 322,309 | 11,787 | 294,558 |
| Net assets, beginning of year | 2,789,565 | 2,488,093 | 81,063 | 5,358,721 |
| Net assets, ending of year | \$ 2,750,027 | 2,810,402 | 92,850 | 5,653,279 |

See notes to the financial statements.

CITY OF DYERSVILLE, IOWA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

Exhibit I

| | Business-type Activities - Enterprise Funds | | | |
|---|---|-----------------------------|----------------|-------------|
| | Major | | Nonmajor | Total |
| | Water Utility | Sewage Disposal Works | Solid Waste | |
| Cash Flows From Operating Activities: | | | | |
| Cash received from customers | \$ 723,631 | 729,149 | 279,143 | 1,731,923 |
| Cash payments to suppliers for goods and services | (297,213) | (271,973) | (206,446) | (775,632) |
| Cash payments to employees for services | (142,947) | (141,866) | (26,982) | (311,795) |
| Other operating receipts | 5,250 | 3,269 | - | 8,519 |
| Net Cash Provided By Operating Activities | 288,721 | 318,579 | 45,715 | 653,015 |
| Cash Flows From Noncapital Financing Activities: | | | | |
| Transfers from other funds | - | 13,919 | - | 13,919 |
| Proceeds from interfund balances | 842,424 | 562,440 | - | 1,404,864 |
| Net Cash Provided By Noncapital Financing Activities | 842,424 | 576,359 | - | 1,418,783 |
| Cash Flows From Capital And Related Financing Activities: | | | | |
| Acquisition and construction of capital assets | (842,424) | (1,134,319) | - | (1,976,743) |
| Proceeds from issuance of debt | - | 1,075,070 | - | 1,075,070 |
| Payment of debt | (128,480) | (227,738) | - | (356,218) |
| Interest paid | (106,603) | (124,694) | - | (231,297) |
| Debt issue costs | - | (11,920) | - | (11,920) |
| Intergovernmental grant proceeds | - | 296,000 | - | 296,000 |
| Net Cash Used for Capital and Related Financing Activities | (1,077,507) | (127,601) | - | (1,205,108) |
| Net Increase (Decrease) In Cash And Cash Equivalents | (34,983) | 782,913 | 13,938 | 761,868 |
| Cash And Cash Equivalents, Beginning of Year | 109,400 | 185 | 28,899 | 138,484 |
| Cash And Cash Equivalents, End of Year | \$ 74,417 | 783,098 | 42,837 | 900,352 |

(continued)

CITY OF DYERSVILLE, IOWA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

Exhibit I
(continued)

| | Business-type Activities - Enterprise Funds | | | |
|---|---|-----------------------------|----------------|----------------|
| | Major | | Nonmajor | Total |
| | Water Utility | Sewage Disposal Works | Solid Waste | |
| Reconciliation Of Operating Income to Net | | | | |
| Cash Provided by Operating Activities | | | | |
| Operating income | \$ 67,588 | 150,198 | 11,787 | 229,573 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | |
| Depreciation | 138,286 | 185,739 | 2,574 | 326,599 |
| Change in assets and liabilities: | | | | |
| (Increase) in accounts receivable | (1,944) | (2,136) | (95) | (4,175) |
| (Increase) in sewer revenue bond proceeds receivable | - | (116,930) | - | (116,930) |
| (Increase) decrease in inventories and prepaid expenses | 11,087 | (2,563) | - | 8,524 |
| Increase (decrease) in accounts payable | (17,598) | 472 | (747) | (17,873) |
| Increase in deposits payable | 900 | - | - | 900 |
| Increase in accrued liabilities | 1,331 | 1,995 | 319 | 3,645 |
| Increase in OPEB liabilities | 450 | 450 | 100 | 1,000 |
| Total adjustments | 132,512 | 67,027 | 2,151 | 201,690 |
| Net Cash Provided By Operating Activities | <u>\$ 200,100</u> | <u>217,225</u> | <u>13,938</u> | <u>431,263</u> |
| Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Assets | | | | |
| Current assets: | | | | |
| Cash and pooled investments | \$ 49,800 | 783,098 | 42,837 | 875,735 |
| Restricted assets: | | | | |
| Cash and pooled investments | 24,617 | - | - | 24,617 |
| Cash and Cash Equivalents at Year End | <u>\$ 74,417</u> | <u>783,098</u> | <u>42,837</u> | <u>900,352</u> |

See notes to the financial statements.

Non-cash capital and financing activities:

During the year ended June 30, 2011, \$116,930 of sewer revenue bond proceeds receivable were recorded for revenue bonds where the closing date was prior to June 30, 2011, but the final draw was not received until fiscal year 2012.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Dyersville, Iowa, is a political subdivision of the State of Iowa located in Dubuque and Delaware counties. It was first incorporated in 1872 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a nonpartisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. It also operates and provides water, sewer and sanitation utilities.

The financial statements of the City of Dyersville, Iowa, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

For financial reporting purposes, the City of Dyersville, Iowa, has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization

The City participates in a jointly governed organization that provides goods or services to the citizenry of the City but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Bi-County Ambulance, Dubuque County Assessor's Board, Dubuque County Emergency Management Commission and the Dubuque County E911 Service Board.

Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt – consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets – result when constraints placed on net asset use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets – consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function, and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue Funds

The CDBG Fund is used to account for federal and state revenues related to flood repairs and property buy-outs.

The Dyersville Economic Development TIF Fund is used to account for revenues from the tax authorized by ordinance in the urban renewal district and used to pay the principal and interest on the general obligation capital loan notes and other indebtedness incurred for urban renewal redevelopment projects.

The Local Option Sales Tax Fund is used to account for revenue received from a 1% sales tax to be used for the reduction of future borrowings and property tax relief.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Capital Projects Fund – The Capital Improvements Fund is used to account for the resources and costs related to infrastructure, building construction and major improvements.

Debt Service Fund – The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

Enterprise Funds

The Water Utility Fund is used to account for the operations of the City's water facilities and services.

The Sewage Disposal Works Fund is used to account for the operations of the City's sewage disposal works and services.

Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation/amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most City funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments consist of non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable, Including Tax Increment Financing - Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represents property tax collected by the County but not remitted to the City at June 30, 2011 and unpaid tax. The succeeding year property tax receivable represents property tax certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March 2010.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Customer Accounts and Unbilled Usage – Accounts receivable are recorded in the Enterprise Funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Due from and Due to Other Funds – During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2011, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in/first-out method. Inventories in the Enterprise Funds consist of materials and supplies. Inventories are recorded as expenses when consumed rather than when purchased.

Restricted Assets – Funds set aside for payment of Enterprise Fund revenue notes are classified as restricted assets since their use is restricted by applicable note indentures. Other restricted assets include customer deposits restricted for application to unpaid customer accounts or for refund to customers.

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 2003 (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the City) are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets and in the Proprietary Funds Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

| <u>Asset Class</u> | <u>Amount</u> |
|----------------------------------|---------------|
| Land, buildings and improvements | \$ 5,000 |
| Equipment and vehicles | 5,000 |
| Infrastructure | 5,000 |
| Intangibles | 50,000 |

Capital assets of the City are depreciated/amortized using the straight line method over the following estimated useful lives:

| <u>Asset Class</u> | <u>Estimated Useful Lives (In Years)</u> |
|-----------------------------------|--|
| Buildings | 40 – 50 |
| Improvements other than buildings | 20 – 50 |
| Vehicles | 3 – 10 |
| Equipment | 2 – 20 |
| Infrastructure | 30 – 50 |
| Intangibles | 5 – 20 |

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets which have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, as well as delinquent property tax receivable and other receivables not collected within sixty days after year end.

Unearned revenue on the Statement of Net Assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

Compensated Absences - City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities column in the Statement of Net Assets and the proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in the preceding classifications.

Budgets and Budgetary Accounting - The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the amount budgeted in the public works function.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2 – CASH AND POOLED INVESTMENTS

Deposits. The City's deposits in banks at June 30, 2011, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council or Board of Trustees and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City has no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011 was as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|---|---------------------------------|-----------|-----------|---------------------------|
| Governmental Activities: | | | | |
| Capital assets not being depreciated/amortized: | | | | |
| Land | \$ 3,154,190 | 1,037,324 | - | 4,191,514 |
| Construction in progress | 964,109 | 83,443 | 774,616 | 272,936 |
| Total capital assets not being depreciated/amortized | 4,118,299 | 1,120,767 | 774,616 | 4,464,450 |
| Capital assets being depreciated/amortized: | | | | |
| Buildings | 3,495,240 | | - | 3,495,240 |
| Improvements other than buildings | 610,571 | 140,247 | - | 750,818 |
| Machinery and equipment | 2,015,695 | 104,120 | - | 2,119,815 |
| Infrastructure | 3,615,464 | 868,485 | - | 4,483,949 |
| Total capital assets being depreciated/amortized | 9,736,970 | 1,112,852 | - | 10,849,822 |
| Less accumulated depreciation/amortization for: | | | | |
| Buildings | 1,225,671 | 99,903 | - | 1,325,574 |
| Improvements other than buildings | 206,099 | 36,096 | - | 242,195 |
| Machinery and equipment | 1,127,140 | 177,690 | - | 1,304,830 |
| Infrastructure | 293,111 | 97,436 | - | 390,547 |
| Total accumulated depreciation/amortization | 2,852,021 | 411,125 | - | 3,263,146 |
| Total capital assets being depreciated/amortized, net | 6,884,949 | 701,727 | - | 7,586,676 |
| Governmental activities capital assets, net | \$ 11,003,248 | 1,822,494 | 774,616 | 12,051,126 |

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

| | Balance End of Year | Increases | Decreases | Balance End of Year |
|---|---------------------------|------------------|------------------|---------------------------|
| Business-Type Activities: | | | | |
| Capital assets not being depreciated/amortized: | | | | |
| Land | \$ 150,280 | | - | 150,280 |
| Construction in progress | 3,917,244 | 1,022,004 | 3,917,243 | 1,022,005 |
| Total capital assets not being depreciated/amortized | 4,067,524 | 1,022,004 | 3,917,243 | 1,172,285 |
| Capital assets being depreciated/amortized: | | | | |
| Improvements other than buildings | 45,237 | - | - | 45,237 |
| Equipment and vehicles | 651,475 | | - | 651,475 |
| Infrastructure, water and sewer network | 10,669,021 | 4,871,982 | - | 15,541,003 |
| Total capital assets being depreciated/amortized | 11,365,733 | 4,871,982 | - | 16,237,715 |
| Less accumulated depreciation/amortized for: | | | | |
| Improvements other than buildings | 2,450 | 2,262 | | 4,712 |
| Equipment and vehicles | 356,700 | 51,008 | - | 407,708 |
| Infrastructure, water and sewer network | 3,399,102 | 273,329 | - | 3,672,431 |
| Total accumulated depreciation/amortization | 3,758,252 | 326,599 | - | 4,084,851 |
| Total capital assets being depreciated/amortized, net | 7,607,481 | 4,545,383 | - | 12,152,864 |
| Business-type activities capital assets, net | <u>\$ 11,675,005</u> | <u>5,567,387</u> | <u>3,917,243</u> | <u>13,325,149</u> |

Depreciation/amortization expense was charged to functions of the City as follows:

| | |
|--|-------------------|
| Governmental activities: | |
| Public safety | \$ 82,081 |
| Public works | 107,304 |
| Culture and recreation | 145,912 |
| General government | <u>75,828</u> |
| Total depreciation/amortization expense - governmental activities | <u>\$ 411,125</u> |
| Business-type activities: | |
| Water | \$ 138,286 |
| Sewage disposal works | 185,739 |
| Solid waste | <u>2,574</u> |
| Total depreciation/amortization expense - business-type activities | <u>\$ 326,599</u> |

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 4 – CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

Governmental activities:

| <u>Governmental Activities</u> | <u>Capital Lease Purchase Agreements</u> | <u>General Obligation Notes</u> | <u>Compensated Absences</u> | <u>Net OPEB Liability</u> | <u>Total</u> |
|--------------------------------|--|---|---------------------------------|-----------------------------------|------------------|
| Balance beginning of year | \$ 35,642 | 4,755,000 | 132,361 | 3,000 | 4,926,003 |
| Increases | - | - | 113,470 | 3,000 | 116,470 |
| Decreases | 8,480 | 310,000 | 132,361 | - | 450,841 |
| Balance end of year | <u>\$ 27,162</u> | <u>4,445,000</u> | <u>113,470</u> | <u>6,000</u> | <u>4,591,632</u> |
| Due within one year | <u>\$ 8,943</u> | <u>330,000</u> | <u>113,470</u> | <u>-</u> | <u>452,413</u> |

For governmental activities, compensated absences are generally liquidated by the General Fund.

Business-type activities:

| <u>Business-type Activities</u> | <u>Capital Lease Purchase Agreement</u> | <u>General Obligation Notes</u> | <u>Revenue Bonds</u> | <u>Compensated Absences</u> | <u>Net OPEB Liability</u> | <u>Total</u> |
|---------------------------------|---|---|--------------------------|---------------------------------|-----------------------------------|------------------|
| Balance beginning of year | \$ 137,366 | 3,045,000 | 2,133,000 | 33,565 | 1,000 | 5,349,931 |
| Increases | - | - | 1,192,000 | 37,695 | 1,000 | 1,230,695 |
| Decreases | 49,218 | 120,000 | 187,000 | 33,565 | - | 389,783 |
| Balance end of year | <u>\$ 88,148</u> | <u>2,925,000</u> | <u>3,138,000</u> | <u>37,695</u> | <u>2,000</u> | <u>6,190,843</u> |
| Due within one year | <u>\$ 51,709</u> | <u>120,000</u> | <u>194,000</u> | <u>37,695</u> | <u>-</u> | <u>403,404</u> |

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Capital Lease Purchase Agreements

The City has entered into capital lease purchase agreements to lease four trucks and one sewer camera system with historical costs of \$404,167, accumulated depreciation of \$166,539, and a net book value of \$237,638. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 4.75% to 5.48% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2011:

| <u>Governmental Activities</u> | <u>Year Ending June 30,</u> | <u>Trucks</u> |
|---------------------------------|---|--------------------------------|
| | 2012 | \$ 10,199 |
| | 2013 | 8,969 |
| | 2014 | 5,290 |
| | 2015 | 5,324 |
| | Total minimum lease payments | 29,782 |
| | Less amount representing interest | (2,620) |
| | Present value of net minimum lease payments | <u>\$ 27,162</u> |
| <u>Business-type Activities</u> | <u>Year Ending June 30,</u> | <u>Trucks and Sewer Camera</u> |
| | 2012 | \$ 55,236 |
| | 2013 | 17,938 |
| | 2014 | 10,581 |
| | 2015 | 10,648 |
| | Total minimum lease payments | 94,403 |
| | Less amount representing interest | (6,255) |
| | Present value of net minimum lease payments | <u>\$ 88,148</u> |

General Obligation Notes

Governmental Activities:

Two issues of unmatured general obligation notes, totaling \$4,445,000, are outstanding at June 30, 2011. General obligation notes bear interest at rates ranging from 1.65% to 4.9% per annum and mature in varying annual amounts, ranging from \$60,000 to \$325,000, with the final maturities due in the year ending June 30, 2027.

Business-type Activities:

Two issues of unmatured general obligation notes, totaling \$2,925,000, are outstanding at June 30, 2011. General obligation notes bear interest at rates ranging from 2.7% to 4.9% per annum and mature in varying annual amounts, ranging from \$40,000 to \$165,000, with the final maturities due in the year ending June 30, 2027.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Details of general obligation notes payable at June 30, 2011, are as follows:

Governmental Activities:

Governmental activities:

| | Date of Issue | Interest Rates | Final Due Date | Annual Payments | Amount Originally Issued | Amount Outstanding End of Year |
|----------------------------------|------------------|-------------------|----------------------|--------------------|--------------------------------|--------------------------------------|
| General obligation notes: | | | | | | |
| Economic development | 10/01/03 | 2.15 - 4.00% | 06/01/14 | \$60,000 - 75,000 | \$ 600,000 | \$ 220,000 |
| Refunding & economic development | 03/18/08 | 2.74 - 4.90 | 06/01/27 | 205,000 - 325,000 | 4,930,000 | 4,225,000 |
| Total general obligation notes | | | | | | <u>\$ 4,445,000</u> |

A summary of the annual general obligation note principal and interest requirements to maturity by year is as follows:

| Year Ending June 30, | Principal | Interest | Total |
|----------------------------|---------------------|------------------|------------------|
| 2012 | \$ 330,000 | 184,168 | 514,168 |
| 2013 | 345,000 | 173,318 | 518,318 |
| 2014 | 365,000 | 161,483 | 526,483 |
| 2015 | 305,000 | 148,477 | 453,477 |
| 2016 | 205,000 | 137,498 | 342,498 |
| 2017-2021 | 1,155,000 | 560,370 | 1,715,370 |
| 2022-2026 | 1,415,000 | 286,825 | 1,701,825 |
| 2027 | 325,000 | 15,925 | 340,925 |
| Total | <u>\$ 4,445,000</u> | <u>1,668,064</u> | <u>6,113,064</u> |

Business-type Activities:

| | Date of Issue | Interest Rates | Final Due Date | Annual Payments | Amount Originally Issued | Amount Outstanding End of Year |
|--------------------------------|------------------|-------------------|----------------------|--------------------|--------------------------------|--------------------------------------|
| General obligation notes: | | | | | | |
| Sewer improvements | 03/18/08 | 2.74 - 4.90% | 06/01/27 | 40,000 - 75,000 | \$ 1,015,000 | \$ 905,000 |
| Well improvements | 03/18/08 | 2.74 - 4.90 | 06/01/27 | 80,000 - 165,000 | 2,235,000 | 2,020,000 |
| Total general obligation notes | | | | | | <u>\$ 2,925,000</u> |

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

A summary of the annual general obligation note principal and interest requirements to maturity by year is as follows:

| Year Ending June 30, | Principal | Interest | Total |
|----------------------------|---------------------|------------------|------------------|
| 2012 | \$ 120,000 | 123,955 | 243,955 |
| 2013 | 130,000 | 120,175 | 250,175 |
| 2014 | 150,000 | 115,885 | 265,885 |
| 2015 | 150,000 | 110,710 | 260,710 |
| 2016 | 160,000 | 105,310 | 265,310 |
| 2017-2021 | 880,000 | 429,080 | 1,309,080 |
| 2022-2026 | 1,095,000 | 266,495 | 1,361,495 |
| 2027 | 240,000 | 11,760 | 251,760 |
| Total | <u>\$ 2,925,000</u> | <u>1,283,370</u> | <u>4,208,370</u> |

Revenue Bonds

Business-type Activities:

On February 10, 2010, the City entered into an agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources (DNR) for the issuance of a sewer revenue bond of up to \$1,192,000 with interest at 3.0% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bond was issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa and the American Recovery and Reinvestment Act of 2009 to pay the cost of constructing improvements and extensions to the sewer treatment facilities. At June 30, 2011, the City had drawn down \$1,075,070 of the authorized amount, including an initiation fee of \$11,920 (1% of the authorized borrowing for the sewer revenue bond) charged by the Iowa Finance Authority, which was withheld from the first proceeds of the sewer revenue bond. The remaining \$116,930 is recorded as sewer revenue bond proceeds receivable in the sewage disposal works fund.

On February 10, 2010, the City entered into a SRF forgivable loan and disbursement agreement with the Iowa Finance Authority for the issuance of \$296,000 of sewer revenue bonds with interest at 3.0% per annum. The bonds were issued pursuant to the provisions of Chapters 384.83 and 455B of the Code of Iowa to pay the cost of constructing improvements and extensions to the City's sewer system. At June 30, 2011 the City had drawn the \$296,000 authorized. An initiation fee of 1% of the authorized borrowing for the sewer revenue bonds may be charged by the Iowa Finance Authority. If the City complies with all applicable American Recovery and Reinvestment Act (ARRA) requirements, the obligation will be forgiven, in full, with no payments of principal, interest or initiation fee. While a final determination has not been made, the City believes all requirements for forgiveness have been met and, accordingly, a liability has not been included in these financial statements.

The City has pledged future sewer customer revenues, net of specified operating expenses, to repay \$3,461,000 of sewer revenue bonds issued in August 2001 and February 2010. Proceeds from the bonds provided financing for the construction of improvements to the sewer treatment plant. The bonds are payable solely from sewer customer net receipts and are payable through 2030. The total principal and interest remaining to be paid on the bonds is \$3,359,865. For the current year, principal and interest paid and total customer net revenues plus depreciation expense were \$228,412 and \$335,937, respectively. Annual principal and interest payments on the sewer revenue bonds are expected to require 68% of customer net revenues plus depreciation expense.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

The City has pledged future water customer revenues, net of specified operating expenses, to repay \$849,000 of water revenue bonds issued in February 2002 and April 2003. Proceeds from the bonds provided financing for the construction of improvements to the well. The bonds are payable solely from water customer net receipts and are payable through 2022. The total principal and interest remaining to be paid on the bonds is \$626,690. For the current year, principal and interest paid and total customer net revenues plus depreciation expense were \$57,010 and \$205,874, respectively. Annual principal and interest payments on the water revenue bonds are expected to require 32% of customer net revenues plus depreciation expense.

Seven issues of unmatured Iowa Finance Authority revenue bonds, totaling \$3,138,000, are outstanding at June 30, 2011. These bonds bear interest at rates ranging from 3.00% to 4.30% per annum and mature in varying annual amounts, ranging from \$3,000 to \$79,000, with the final maturity due in the year ending June 30, 2030.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

The resolutions providing for the issuance of the revenue bonds include the following provisions:

- 1) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- 2) Sufficient monthly transfers shall be made to a revenue bond sinking fund for the purpose of making the bond principal and interest payments when due.
- 3) User rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

During the year ended June 30, 2011, the City was in compliance with the revenue bond provisions.

Details of the revenue bonds payable at June 30, 2011, are as follows:

| | Date of Issue | Interest Rates | Final Due Date | Annual Payments | Amount Originally Issued | Amount Outstanding End of Year |
|---------------------|------------------|-------------------|----------------------|--------------------|--------------------------------|--------------------------------------|
| Revenue bonds: | | | | | | |
| Sewer improvements | 08/01/01 | 3.92% | 06/01/22 | \$40,000 - 61,000 | \$ 862,751 | \$ 555,000 |
| Sewer improvements | 08/01/01 | 3.92 | 06/01/22 | 29,000 - 44,000 | 627,500 | 403,000 |
| Sewer improvements | 08/01/01 | 3.92 | 06/01/22 | 20,000 - 31,000 | 444,749 | 286,000 |
| Sewer improvements | 08/01/01 | 4.30 | 06/01/22 | 15,000 - 24,000 | 334,000 | 218,000 |
| Well improvements | 02/08/02 | 3.00 | 06/01/22 | 37,000 - 51,000 | 785,000 | 488,000 |
| Well improvements | 04/16/03 | 3.00 | 06/01/22 | 3,000 - 4,000 | 64,000 | 39,000 |
| Sewer improvements | 02/10/10 | 3.00 | 06/01/30 | 43,000 - 79,000 | 1,192,000 | 1,149,000 |
| Total revenue bonds | | | | | | <u>\$ 3,138,000</u> |

A summary of the annual revenue bond principal and interest requirements to maturity by year is as follows:

| Year Ending June 30, | Principal | Interest | Total |
|----------------------------|---------------------|----------------|------------------|
| 2012 | \$ 194,000 | 108,419 | 302,419 |
| 2013 | 201,000 | 101,544 | 302,544 |
| 2014 | 208,000 | 94,410 | 302,410 |
| 2015 | 216,000 | 87,029 | 303,029 |
| 2016 | 224,000 | 79,358 | 303,358 |
| 2017-2021 | 1,250,000 | 271,262 | 1,521,262 |
| 2022-2026 | 543,000 | 83,523 | 626,523 |
| 2027-2030 | <u>302,000</u> | <u>23,010</u> | <u>325,010</u> |
| Total | <u>\$ 3,138,000</u> | <u>848,555</u> | <u>3,986,555</u> |

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 5 – INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2011, is as follows:

| Transfer To | Transfer From | Amount |
|--|---|------------|
| General | Special Revenue: Local Option Sales Tax | \$ 211,000 |
| Special Revenue: Local Option Sales Tax | Special Revenue: Tax Increment Financing | 345,102 |
| Capital Projects: Capital Improvements | Special Revenue: Local Option Sales Tax | 310,000 |
| | Capital Projects: Capital Equipment | 58,985 |
| | | 368,985 |
| Enterprise: Sewage Disposal Works | Special Revenue: Tax Increment Financing | 13,919 |
| Total | | \$ 939,006 |

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

NOTE 6 – DUE FROM AND DUE TO OTHER FUNDS

The detail of interfund receivables and payables at June 30, 2011 is as follows:

| Transfer To | Transfer From | Amount |
|--|--|--------------|
| General | Special Revenue: CDBG | \$ 300,000 |
| Special Revenue: Local Option Sales Tax | Special Revenue: CDBG | 152,302 |
| | Capital Projects: Capital improvement | 756,024 |
| | | 908,326 |
| Capital Projects: Capital Improvements | Enterprise: Water | 725,564 |
| | Sewage Disposal Works | 1,947,349 |
| | | 2,672,913 |
| Total | | \$ 3,881,239 |

These balances result from interfund loans to finance projects. Repayments will be made from future revenues.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 7 – PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS,) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of annual covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. The City's contributions to IPERS for the three years ended June 30, 2011, 2010 and 2009 were \$83,666, \$89,100 and \$68,355, respectively, equal to the required contributions for each year.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 22 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 would pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

| | |
|--|-----------------|
| Annual required contribution | \$ 4,050 |
| Interest on net OPEB obligation | 170 |
| Adjustment to annual required contribution | <u>(220)</u> |
| Annual OPEB cost | 4,000 |
| Contributions made | <u>-</u> |
| Increase in net OPEB obligation | 4,000 |
| Net OPEB obligation beginning of year | <u>4,000</u> |
| Net OPEB obligation end of year | <u>\$ 8,000</u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

For the year ended June 30, 2011, there were no contributions to the medical plan by the City or from plan members eligible for benefits.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

| Year Ended June 30, | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---------------------|------------------|--|---------------------|
| 2010 | \$ 4,000 | 0% | \$ 4,000 |
| 2011 | 4,000 | 0% | 8,000 |

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$26,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$26,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$861,000 and the ratio of the UAAL to covered payroll was 3%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the City's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the 2004 United States Life Tables. Annual retirement was based on historical patterns for the covered group and termination was based on non-group specific age-based turnover data.

Projected claim costs of the medical plan are \$848 per month for retirees less than age 65 and \$933 per month for spouses of retirees. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 9 – INDUSTRIAL DEVELOPMENT REVENUE BONDS

The City has issued a total of \$5,500,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$3,094,342 is outstanding at June 30, 2011. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The bond principal and interest do not constitute liabilities of the City.

NOTE 10 – DEFICIT BALANCE

At June 30, 2011, the Special Revenue, CDBG Fund had a deficit balance of \$298,235.

NOTE 11 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 12 – CONSTRUCTION COMMITMENTS

The City has entered into a contract totaling \$130,319 for tennis court construction. As of June 30, 2011, costs of \$119,891 have been incurred against the contract. The balance remaining at June 30, 2011 is \$10,428.

The City has entered into a contract totaling \$220,520 for 1st Avenue bridge rehab. As of June 30, 2011, costs of \$190,081 have been incurred against the contract. The balance remaining at June 30, 2011 is \$30,439.

The City has entered into a contract totaling \$1,595,567 for Highway 136 Utilities project. As of June 30, 2011, costs of \$231,708 have been incurred against the contract. The balance remaining at June 30, 2011 is \$1,363,859.

The City has entered into a contract totaling \$415,223 for North Utilities water main extension. As of June 30, 2011, costs of \$231,708 have been incurred against the contract. The balance remaining at June 30, 2011 is \$183,515.

The City has entered into a contract totaling \$79,450 for Swimming Pool resurfacing. As of June 30, 2011, costs of \$69,060 have been incurred against the contract. The balance remaining at June 30, 2011 is \$10,390.

The City has entered into a contract totaling \$466,715 for 12th Avenue SW extension. As of June 30, 2011, no costs have been incurred against the contract.

The City has entered into a contract totaling \$491,139 for SE utilities extension. As of June 30, 2011, no costs have been incurred against the contract.

The City has entered into a contract totaling \$645,020 for well #4 house replacement. As of June 30, 2011, no costs have been incurred against the contract.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 13 – OPERATING LEASE

The City has entered into a lease agreement with the St. Francis Xavier Basilica Corporation whereby the City leases the "convent building." The primary intent of leasing the convent is to fulfill the intended activities for senior citizens. The lease expired June 30, 2011, with lease expenditures of \$4,800 for the year ended June 30, 2011.

NOTE 14 – REBATE AND DEVELOPMENT AGREEMENTS

Rebate Agreements

The City has entered into tax increment financing agreements. The City agreed to assist in urban renewal projects by rebating incremental property tax paid by the participating companies with respect to the improvements set forth in the urban renewal plan. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the participating companies will be rebated beginning with the tax year in which the property tax on the completed value of the improvements is first paid. The actual amount rebated during the year ended June 30, 2011 was \$124,024. The City has agreed to provide tax increment payments in a total amount not exceeding \$2,654,960.

Residential Development Agreement

In May 2010, the City entered into a residential development agreement with William C. and Dianne M. Ernzen (property owners) and Hageman Homes, LLC (Developer) under the authorization of Chapter 403 of the Code of Iowa and the City agreed to annex the property into the City. The Developer has agreed to the following,

- To construct and develop a single family residential subdivision and establish a minimum of 25 single-family residential lots prior to December 1, 2010.
- To construct infrastructure improvements, including sanitary sewer and water mains, at the sole expense of the Developer.
- To maintain infrastructure improvements for a period of two years from date of their acceptance by the City.

The City has agreed to the following,

- To reimburse the Developer for only the material cost difference above and beyond the minimum water main infrastructure improvement standards within the Project.
- To reimburse the Developer for the sanitary sewer main infrastructure improvement standards within the Project on a pro-rata basis based on the total number of lots developed. In year five, the City will reimburse the Developer for the remaining pro-rated amount of the outstanding balance of actual costs for the sanitary sewer improvements.
- To reimburse the Developer \$15.00 for each square yard of concrete of a minimum width of 32 inches.

The residential development agreement will remain in effect for 10 years. As of June 30, 2011, no payments were due to the Developer for this project.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 15 – SUBSEQUENT EVENT

In August 4, 2011, the City issued \$2,465,000 of general obligation corporate purpose and refunding bonds to fund construction to the waterworks system, sanitary sewer system, street improvements and refund a previous debt issue.

NOTE 16 – PENDING LITIGATION

The City is subject to pending litigation. The probability of loss, if any, is not determinable.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DYERSVILLE, IOWA
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN BALANCES – BUDGET AND ACTUAL (CASH BASIS) – GOVERNMENTAL
FUNDS AND PROPRIETARY FUNDS AND BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2011

| | Governmental Funds Actual | Proprietary Funds Actual | Total Actual | Original Budget | Final Budget | Variance with Final Budget-Positive (Negative) |
|--|---------------------------------|--------------------------------|------------------|--------------------|------------------------|--|
| Receipts: | | | | | | |
| Property tax | \$ 1,610,049 | - | 1,610,049 | 1,600,077 | 1,600,077 | 9,972 |
| Tax increment financing | 697,920 | - | 697,920 | 695,000 | 695,000 | 2,920 |
| Other city tax | 615,913 | - | 615,913 | 618,311 | 625,511 | (9,598) |
| Licenses and permits | 16,625 | - | 16,625 | 15,500 | 15,500 | 1,125 |
| Use of money and property | 50,434 | - | 50,434 | 103,350 | 103,350 | (52,916) |
| Intergovernmental | 1,839,685 | - | 1,839,685 | 383,500 | 2,391,500 | (551,815) |
| Charges for service | 365,698 | 1,626,201 | 1,991,899 | 1,990,974 | 1,990,974 | 925 |
| Special assessments | 2,840 | - | 2,840 | 220,000 | 220,000 | (217,160) |
| Miscellaneous | 58,938 | 9,419 | 68,357 | 57,800 | 57,800 | 10,557 |
| Total receipts | 5,258,102 | 1,635,620 | 6,893,722 | 5,684,512 | 7,699,712 | (805,990) |
| Disbursements: | | | | | | |
| Public safety | 2,418,671 | - | 2,418,671 | 874,154 | 2,917,954 | 499,283 |
| Public works | 666,536 | - | 666,536 | 493,991 | 555,811 | (110,725) |
| Health and social services | 800 | - | 800 | 1,550 | 1,550 | 750 |
| Culture and recreation | 817,480 | - | 817,480 | 818,914 | 874,619 | 57,139 |
| Community and economic development | 139,293 | - | 139,293 | 183,283 | 188,283 | 48,990 |
| General government | 289,360 | - | 289,360 | 297,083 | 338,883 | 49,523 |
| Debt service | 510,306 | - | 510,306 | 634,712 | 644,412 | 134,106 |
| Capital projects | 3,037,140 | - | 3,037,140 | 175,000 | 3,175,000 | 137,860 |
| Business-type activities | - | 1,674,941 | 1,674,941 | 1,675,974 | 1,675,974 | 1,033 |
| Total disbursements | 7,879,586 | 1,674,941 | 9,554,527 | 5,154,661 | 10,372,486 | 817,959 |
| Excess (deficiency) of receipts over (under) disbursements | (2,621,484) | (39,321) | (2,660,805) | 529,851 | (2,672,774) | 11,969 |
| Other financing sources (uses), net | (13,918) | 1,373,069 | 1,359,151 | 1,000 | 1,000 | 1,358,151 |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | (2,635,402) | 1,333,748 | (1,301,654) | 530,851 | (2,671,774) | 1,370,120 |
| Balances beginning of year | 3,528,590 | (433,396) | 3,095,194 | 3,095,194 | 3,095,194 | - |
| Balances end of year | \$ 893,188 | 900,352 | 1,793,540 | 3,626,045 | 423,420 | 1,370,120 |
| | Governmental Funds | | | Proprietary Funds | | |
| | | | | Enterprise | | |
| Budget To Gaap Reconciliation | Cash Basis | Accrual Adjustments | Accrual Basis | Cash Basis | Accrual Adjustments | Accrual Basis |
| Revenues | \$ 5,258,102 | (36,529) | 5,221,573 | 1,635,620 | 299,275 | 1,934,895 |
| Expenditures/expenses | 7,879,586 | (2,712,341) | 5,167,245 | 1,674,941 | (20,685) | 1,654,256 |
| Net | (2,621,484) | 2,675,812 | 54,328 | (39,321) | 319,960 | 280,639 |
| Other financing sources, net | (13,918) | (1) | (13,919) | 1,373,069 | (1,359,150) | 13,919 |
| Beginning fund balances/net assets | 3,528,590 | 48,550 | 3,577,140 | (433,396) | 5,792,117 | 5,358,721 |
| Ending fund balances/net assets | \$ 893,188 | 2,724,361 | 3,617,549 | 900,352 | 4,752,927 | 5,653,279 |

See accompanying independent auditor's report.

CITY OF DYERSVILLE, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING YEAR ENDED JUNE 30, 2011

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$5,217,825. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements in the public works function exceeded the amount budgeted.

CITY OF DYERSVILLE, IOWA
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(Amounts in Thousands)
YEAR ENDED JUNE 30, 2011

| Year Ended June 30, | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---------------------------|--------------------------------|--|---|--------------------------------------|--------------------------|---------------------------|---|
| 2010 | July 1, 2009 | - | \$ 26 | \$ 26 | 0.00% | \$ 861 | 3.00% |
| 2011 | July 1, 2009 | - | 26 | 26 | 0.00 | 861 | 3.00 |

See Note 8 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Road Use Tax – This fund is used to account for state revenues the City received for the maintenance and improvement of City streets.

Library Trust - This fund is used to account for the donations received for the Library and for the use of such donations for Library equipment and improvements.

CAPITAL PROJECTS FUND

Capital Equipment - This fund is used to account for the resources and costs related to the acquisition of significant equipment items.

CITY OF DYERSVILLE, IOWA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

Schedule 1

| | Special Revenue | | Capital Projects | Total Nonmajor Governmental Funds |
|--------------------------------------|-------------------|------------------|----------------------|--|
| | Road Use Tax | Library Trust | Capital Equipment | |
| Assets | | | | |
| Cash and pooled cash investments | \$ 125,619 | 42,409 | 66 | 168,094 |
| Due from other governments | 31,534 | - | - | 31,534 |
| Total assets | <u>\$ 157,153</u> | <u>42,409</u> | <u>66</u> | <u>199,628</u> |
| Liabilities And Fund Balances | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 215 | 49 | - | 264 |
| Salaries and benefits payable | 3,248 | - | - | 3,248 |
| Total liabilities | <u>3,463</u> | <u>49</u> | <u>-</u> | <u>3,512</u> |
| Fund Balances: | | | | |
| Restricted for: | | | | |
| Road use | 153,690 | - | - | 153,690 |
| Library | - | 42,360 | - | 42,360 |
| Capital equipment | - | - | 66 | 66 |
| Total fund balances | <u>153,690</u> | <u>42,360</u> | <u>66</u> | <u>196,116</u> |
| Total liabilities and fund balances | <u>\$ 157,153</u> | <u>42,409</u> | <u>66</u> | <u>199,628</u> |

See accompanying independent auditor's report.

CITY OF DYERSVILLE, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

Schedule 2

| | Special Revenue | | Capital Projects | Total Nonmajor Governmental Funds |
|--|-------------------|------------------|----------------------|--|
| | Road Use Tax | Library Trust | Capital Equipment | |
| Revenues: | | | | |
| Use of money and property | \$ - | 139 | 64 | 203 |
| Intergovernmental | 398,462 | - | - | 398,462 |
| Charges for service | - | 14,553 | - | 14,553 |
| Total revenues | <u>398,462</u> | <u>14,692</u> | <u>64</u> | <u>413,218</u> |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety | 54,627 | - | - | 54,627 |
| Public works | 344,247 | - | - | 344,247 |
| Culture and recreation | - | 16,337 | - | 16,337 |
| Total expenditures | <u>398,874</u> | <u>16,337</u> | <u>-</u> | <u>415,211</u> |
| Excess (deficiency) of revenues over (under) expenditures | (412) | (1,645) | 64 | (1,993) |
| Other financing uses: | | | | |
| Transfers out | - | - | (58,985) | (58,985) |
| Net change in fund balances | (412) | (1,645) | (58,921) | (60,978) |
| Fund balances, beginning of year | <u>154,102</u> | <u>44,005</u> | <u>58,987</u> | <u>257,094</u> |
| Fund balances, end of year | <u>\$ 153,690</u> | <u>42,360</u> | <u>66</u> | <u>196,116</u> |

See accompanying independent auditor's report.

CITY OF DYERSVILLE, IOWA

CITY OF DYERSVILLE, IOWA
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

| | 2011 | 2010 | 2009 | 2008 |
|------------------------------------|---------------------|------------------|------------------|------------------|
| Revenues: | | | | |
| Property tax | \$ 1,610,731 | 1,499,214 | 1,447,583 | 1,385,570 |
| Tax increment financing | 709,582 | 623,742 | 362,399 | 257,506 |
| Other city tax | 640,674 | 620,724 | 616,627 | 641,441 |
| Licenses and permits | 15,908 | 19,875 | 17,808 | 17,279 |
| Use of money and property | 50,070 | 103,081 | 200,559 | 124,712 |
| Intergovernmental | 1,884,647 | 2,142,239 | 605,322 | 381,761 |
| Charges for service | 276,185 | 308,616 | 250,551 | 239,593 |
| Special assessments | 3,444 | 6,536 | 7,993 | 7,873 |
| Miscellaneous | 30,332 | 48,962 | 60,903 | 69,055 |
| Total | <u>\$ 5,221,573</u> | <u>5,372,989</u> | <u>3,569,745</u> | <u>3,124,790</u> |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety | \$ 2,077,083 | 1,232,499 | 1,180,029 | 865,895 |
| Public works | 653,289 | 487,664 | 498,396 | 426,909 |
| Health and social services | 800 | 1,512,275 | 800 | 1,000 |
| Culture and recreation | 832,260 | 784,875 | 813,427 | 703,071 |
| Community and economic development | 127,477 | 139,035 | 117,228 | 1,118,013 |
| General government | 293,061 | 289,658 | 303,319 | 301,154 |
| Debt service | 515,827 | 988,064 | 669,562 | 1,040,106 |
| Capital projects | 667,448 | 1,532,747 | 59,057 | 471,918 |
| Total | <u>\$ 5,167,245</u> | <u>6,966,817</u> | <u>3,641,818</u> | <u>4,928,066</u> |

See accompanying independent auditor's report.

Schedule 3

| 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|------------------|------------------|------------------|------------------|------------------|------------------|
| 1,334,936 | 1,340,550 | 1,347,005 | 1,276,337 | 1,231,585 | 1,187,590 |
| 339,688 | 410,153 | 300,510 | 288,945 | 325,246 | 255,904 |
| 633,612 | 549,499 | 535,448 | 541,492 | 506,544 | 484,049 |
| 16,604 | 19,721 | 20,015 | 13,168 | 11,760 | 14,891 |
| 92,909 | 67,584 | 52,846 | 62,981 | 78,660 | 114,860 |
| 368,337 | 664,079 | 454,263 | 1,231,635 | 799,733 | 561,806 |
| 250,071 | 201,149 | 176,035 | 176,066 | 146,181 | 112,875 |
| 7,605 | 14,897 | 19,082 | 133,889 | 13,801 | 17,855 |
| 56,003 | 141,476 | 159,605 | 225,237 | 154,203 | 261,865 |
| <u>3,099,765</u> | <u>3,409,108</u> | <u>3,064,809</u> | <u>3,949,750</u> | <u>3,267,713</u> | <u>3,011,695</u> |
| 895,784 | 764,856 | 822,616 | 1,281,597 | 1,249,182 | 594,142 |
| 468,335 | 474,980 | 461,363 | 689,997 | 509,673 | 666,253 |
| 800 | 1,300 | 1,800 | 1,950 | 1,950 | 1,950 |
| 695,435 | 725,205 | 599,303 | 571,754 | 534,236 | 473,287 |
| 16,790 | 19,963 | 94,770 | 25,188 | 21,769 | 15,004 |
| 326,609 | 265,260 | 240,516 | 207,899 | 223,680 | 200,445 |
| 453,805 | 483,459 | 598,694 | 1,312,560 | 514,830 | 512,485 |
| 221,687 | 133,028 | 1,553,254 | 1,415,084 | 481,928 | 1,559,627 |
| <u>3,079,245</u> | <u>2,868,051</u> | <u>4,372,316</u> | <u>5,506,029</u> | <u>3,537,248</u> | <u>4,023,193</u> |

CITY OF DYERSVILLE, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

Schedule 4

| Grantor/Program | CFDA Number | Agency or Pass-through Number | Program Expenditures |
|--|----------------|-------------------------------------|----------------------------|
| Indirect: | | | |
| U.S. Department of Housing and Urban Development: | | | |
| Iowa Department of Economic Development: | | | |
| Community Development Block Grants/State's Program | 14.228 | 08-DRHB-218 | <u>\$ 641,856</u> |
| U.S. Department of Justice: | | | |
| Iowa Department of Public Health: | | | |
| Tobacco Surveillance Grant | 16.000 | | <u>800</u> |
| U.S. Department of Transportation: | | | |
| Iowa Department of Transportation: | | | |
| ARRA-Highway Planning and Construction | 20.205 | ESL-2160(609)-75-31 | <u>78,619</u> |
| Governor's Traffic Safety Bureau: | | | |
| Alocohol Impaired Driving Coutermasures | | | |
| Incentive Grants I | 20.601 | PAP 10-410, TASK 23 | <u>12,524</u> |
| U.S. Department of Commerce: | | | |
| Iowa Finance Authority: | | | |
| ARRA - Clean Water State Revolving Fund Loan | 66.458 | CSG022R, CFG0223R | <u>622,983</u> |
| U.S. Department of Homeland Security: | | | |
| Iowa Department of Public Defense: | | | |
| Iowa Homeland Security and Emergency | | | |
| Management Division: | | | |
| Disaster Grants - Public Assistance | | | |
| (Presidentially Declared Disasters) | 97.036 | PA-1763 | <u>46,900</u> |
| U. S. Department of Homeland Security: | | | |
| Iowa Department of Public Defense: | | | |
| Iowa Homeland Security and Emergency Management: | | | |
| Hazard Mitigation Grant | 97.039 | DR-1763-31-01 | <u>407,715</u> |
| Total | | | <u><u>\$ 1,811,397</u></u> |

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Dyersville and is presented on the accrual or modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

CITY OF DYERSVILLE, IOWA

**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dyersville, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated March 19, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City of Dyersville is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Dyersville's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Dyersville's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Dyersville's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Dyersville's financial statements will not be prevented or detected and corrected on a timely basis. We do not consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-11 to be a significant deficiency.

Compliance and Other Matters

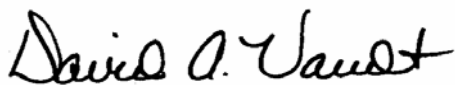
As part of obtaining reasonable assurance about whether the City of Dyersville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters which are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

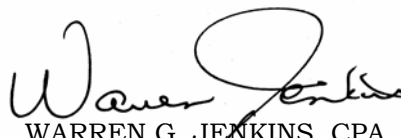
The City of Dyersville's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusion on the City's response, we did not audit the City of Dyersville's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Dyersville and other parties to whom the City of Dyersville may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Dyersville during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 19, 2012

**Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133**

CITY OF DYERSVILLE, IOWA



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the City of Dyersville, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City of Dyersville's major federal programs for the year ended June 30, 2011. The City of Dyersville's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of the City of Dyersville's management. Our responsibility is to express an opinion on the City of Dyersville's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Dyersville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Dyersville's compliance with those requirements.

In our opinion, the City of Dyersville complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

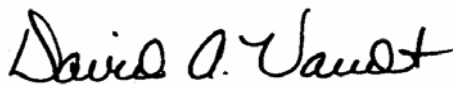
Internal Control Over Compliance

The management of the City of Dyersville is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Dyersville's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Dyersville's internal control over compliance.

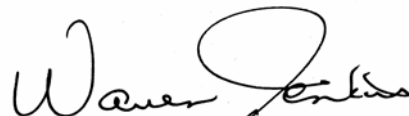
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Dyersville and other parties to whom the City of Dyersville may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 19, 2012

City of Dyersville
Schedule of Findings and Questioned Costs
Year ended June 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, which was not considered to be a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were:
 - CFDA Number 14.228 – Community Development Block Grant
 - CFDA Number 66.458 – ARRA Capitalization Grants for Clean Water Revolving Funds
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Dyersville did not qualify as a low-risk auditee.

City of Dyersville

Schedule of Findings

Year ended June 30, 2011

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

II-A-11 Library – During our review of the overdue listing provided by the Library, many books and media were over three months overdue. Although the Library denies patrons who have overdue material from checking out books and media, the Library does not charge fines for overdue books and media.

Recommendation – The Library should evaluate the procedures for books and media which are overdue and consider implementing a fee to encourage patrons to return books and media in a timely manner. The fee could then be used to offset the cost of materials.

Response – The City will forward your recommendation to the Library Board and encourage them to implement this policy recommendation.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE

No matters were reported.

INTERNAL CONTROL DEFICIENCIES

No material weaknesses in internal control over the major programs were noted.

City of Dyersville

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-11 Certified Budget – Disbursements during the year ended June 30, 2011 exceeded the amount budgeted in the public works functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The City has been making efforts to review the receipts and disbursements over the previous years. Furthermore, the City processed budget amendments this fiscal year and has made significant efforts to comply with Chapter 384.18 of the Code of Iowa.

Conclusion – Response accepted.

IV-B-11 Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-11 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-11 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

| Name, Title, and Business Connection | Transaction Description | Amount |
|--|----------------------------|------------|
| Angela English, Library Secretary, Husband owns Ross English Insurance | Insurance | \$ 106,505 |
| Mary Klostermann, Board of Adjustment, Kevin Klostermann, Parks & Recreation, owners of Computer Doctors | Maintenance | 8,140 |
| Mary Jo Goldsmith, Administrative Assistant, Husband owns Goldsmith Painting | Painting | 2,500 |
| Adam Huehnergath, Parks and Recreation, Manager of Schwans | Food | 1,001 |
| Joyce Bries, Library Board Member, owner of Pastry Place | Pastries | 247 |
| Brenda Ingles, Library Board Member, Manager of Subway | Food | 25 |

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions less than \$1,500 during the fiscal year do not appear to represent a conflict of interest.

The transactions exceeding \$1,500 may represent conflicts of interest.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

City of Dyersville

Schedule of Findings

Year ended June 30, 2011

Response – The City has consulted with legal counsel regarding this matter and believes we are compliant under Chapter 362.5(10) of the Code of Iowa.

Conclusion – Response accepted.

IV-E-11 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-11 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-G-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

IV-H-11 Revenue Bonds – No instances of non-compliance with the resolutions providing for the issuance of the water and sewer revenue bonds were noted.

IV-I-11 Financial Condition – At June 30, 2011, the Special Revenue, CDBG Fund had a deficit balance of \$298,235.

Recommendation – The City should investigate alternatives to eliminate the deficit to return the fund to a sound financial position.

Response – The City will investigate this matter and make the necessary corrections moving forward.

Conclusion – Response accepted.

IV-J-11 Payment of General Obligation Notes – Certain general obligation notes were paid from the Special Revenue, Dyersville Economic Development TIF Fund and the Enterprise, Water Utility and Sewage Disposal Works Funds. Chapter 384.4 of the Code of Iowa states, in part, "Moneys pledged or available to service general obligation notes, and received from sources other than property tax, must be deposited in the debt service fund."

Recommendation – The City should transfer funds from the Special Revenue, Dyersville Economic Development TIF Fund and the Enterprise, Water Utility and Sewage Disposal Work Funds to the Debt Service Fund for future funding contributions. Payments of the notes should then be disbursed from the Debt Service Fund.

Response – The City will investigate this matter with bond counsel and make the necessary corrections moving forward.

Conclusion – Response accepted.

IV-K-11 Tax Increment Financing Debt – During the year ended June 30, 2011, the City made a \$1,335 overpayment to a developer.

Recommendation – The City should certify the portion of the TIF revenue it will be using to fund the community center loan and decertify the savings received on the refunding of previously certified TIF debt.

Response – The City will work with the developer on making corrections on the overpayment.


Conclusion – Response accepted.

City of Dyersville

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager
Melissa J. Knoll-Speer, Senior Auditor II
Micahel R. Field, Senior Auditor
Russell G. Jordan, Assistant Auditor
William B. Corley, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State